

THIRTEENTH CONGRESS OF)
THE REPUBLIC OF THE PHILIPPINES)
First Regular Session)

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SENATE

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P.S. Res. No. 83

INTRODUCED BY THE HONORABLE MAR ROXAS

**A RESOLUTION
DIRECTING THE COMMITTEES ON ECONOMIC AFFAIRS AND BANKS,
FINANCIAL INSTITUTIONS AND CURRENCIES TO CONDUCT A
JOINT INVESTIGATION, IN AID OF LEGISLATION, INTO THE CAUSES
AND IMPACT OF THE BANK HOLIDAY DECLARED BY FIRST SAVINGS
BANK ON ITS DEPOSITORS, MOSTLY SMALL AND MEDIUM SCALE
ENTERPRISES, AND ON THE ECONOMY IN GENERAL**

WHEREAS, the First Savings Bank (FSB), a thrift bank, was forced to suspend the operations of its Divisoria branch yesterday following massive withdrawals by its depositors, mostly Divisoria vendors;

WHEREAS, the Bank's other branches thereafter also suffered from heavy withdrawals, which eventually led to a declaration on 7 September 2004 of a banking holiday by the management of FSB covering its main office and its three branches;

WHEREAS, the *Bangko Sentral ng Pilipinas* deployed bank examiners immediately to the main office and the different branches of First Savings Bank to investigate the problem and determine the proper action which the Monetary Board may undertake to address it;

WHEREAS, total deposits in FSB amounts to P193.9 million as of June 30, 2004 from 10,000 depositors mostly from small and medium businesses;

WHEREAS, under the authority provided by Section 30 of the New Central Bank Act (R.A. No. 7653), the *Bangko Sentral ng Pilipinas* (BSP) through the Monetary Board (MB) issued MB Resolution No. 1265 dated 8 September 2004 wherein it (1) forbid First Savings Bank to continue doing any further business and be placed under receivership; and (2) designated the Philippine Deposit Insurance Corporation (PDIC) as the receiver of the bank;

WHEREAS, the latest general examination conducted by the BSP last year revealed the bank's unsatisfactory financial condition due, among others, to capital deficiency, high NPL ration, continuous operational losses, minimal liquidity position, and unsafe and unsound financial transactions entered into by its management;

WHEREAS, notwithstanding its shaky financial standing, the FSB has failed to infuse the necessary capital despite being given several extensions to comply by the BSP;

WHEREAS, it is in the interest of the Senate and of the general public to determine what measures were taken by the BSP to protect the public and establish what remedial legislation is necessary to strengthen the supervisory and examination powers of the BSP over banking institutions, with the view of preventing future instances of this nature;

NOW THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the Senate direct the Committees on Economic Affairs and Banks, Financial Institutions and Currencies to conduct a joint investigation, in aid of legislation, of the causes and the impact on the economy of the declaration of a bank holiday by First Savings Bank and the order of receivership of the Monetary Board of the *Bangko Sentral ng Pilipinas* for the purpose of determining the cause of the declaration of a bank holiday and providing the necessary economic and banking policies that will enable depositors to be more cautious in selecting their banks and the BSP to take pre-emptive actions on similar cases in the future.

Adopted,



M A R Roxas
Senator